

**STATE OF KANSAS
DEPARTMENT OF HEALTH AND ENVIRONMENT
DIVISION OF ENVIRONMENT
BUREAU OF WATER**

**INTENDED USE PLAN
FOR
THE KANSAS PUBLIC WATER SUPPLY LOAN FUND**

FISCAL YEAR 2006

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I. INTRODUCTION

In 1996 the Safe Drinking Water Act (SDWA) established the Drinking Water Loan Fund (DWLF) to assist public water supply systems in financing the costs of infrastructure needed to achieve or maintain compliance with SDWA requirements, and to protect public health. The Kansas Public Water Supply Loan Fund (KPWSLF) was established in 1997 by K.S.A. 65-163d through 65-163u. The Environmental Protection Agency (EPA) makes capitalization grant money available to the state for operation of the KPWSLF.

Both state and federal law require preparation of an annual intended use plan (IUP), to identify projects and activities to be supported by the federal appropriation. The IUP is submitted to the EPA as part of an application for the capitalization grant. EPA regulations require the state's IUP to include the following elements:

- A list of projects to be assisted by the KPWSLF, including a description of the project and population served;
- The criteria and methods established to distribute the funds;
- A description of the financial status of the KPWSLF;
- A description of the long and short-term goals for the KPWSLF;
- A description of non-project activities (set-asides) to be funded from the capitalization grant, and;
- A description of how assistance will be provided to disadvantaged communities.

The SDWA requires states to give priority to projects that address the most serious risks to human health, that are necessary to achieve compliance with the SDWA, and to assist public water supply systems most in need on a per-household basis. State law requires KDHE to encourage regional, cooperative public water supply projects in accordance with the regionalization strategy of the state water plan.

The Kansas Public Water Supply Loan Fund (KPWSLF) will continue to operate as a leveraged loan program. In a leveraged program, the EPA capitalization grant is not loaned to public water supply systems. Instead, the capitalization grant is deposited in a reserve account, and pledged as security for repayment of state issued revenue bonds (leverage bonds). The reserve account will be equal to no less than 25% of the amount of revenue bonds sold (both leveraged bonds and state match bonds). The revenue bond proceeds are loaned to municipalities. Investment earnings from the reserve account are combined with loan repayments from municipalities, thus allowing loans to be offered at interest rates less than the market rate.

As of this publication date, Kansas had been allotted \$93,878,500 in Capitalization Grants from FFY 1997 thru FFY 2005, and will apply for the FFY 2006 Grant (estimated at \$8,352,500) when it becomes available during the fiscal year. The total amount of funding available for the 2006 IUP projects will be calculated with the assumption that the 2005 and 2006 Capitalization Grants will be available to disburse into the KPWSLF reserve account during the program year.

II. LIST OF PROJECTS

On February 4, 2005, letters soliciting projects to be considered for funding were sent to the state's 815 public water suppliers eligible to receive assistance from the Kansas Public Water Supply Loan Fund. This mailing resulted in the submittal of 26 new projects with a total estimated cost of over \$49 million, to score for potential listing in this IUP. The new projects were ranked and combined with remaining projects on the 2005 Project Priority List (PPL), to create the 2006 PPL.

KDHE is required to assure that projects funded in an amount "equivalent" to the capitalization grant comply with certain federal laws and executive orders dealing with environmental and socio-economic requirements, called cross-cutters. Once "equivalency" is achieved, the number of cross-cutting requirements is reduced significantly. KDHE intends to continue the practice of issuing post equivalent loans during this program year. The total of all capitalization grants, expected to be awarded through FY2006, is \$102,231,000. The total amount of loans awarded as equivalent projects from year to date is \$191,347,429. This leaves Kansas with an \$89 million equivalency credit. The Environmental Review Process has remained unchanged.

III. CRITERIA AND METHODS FOR DISTRIBUTING FUNDS

The Kansas Department of Health and Environment developed a Project Priority System to rank all projects submitted for funding. The system provides a clear, objective order of ranking for public water supply infrastructure improvements. The Project Priority System is attached as Appendix C.

The funding order of projects may not be identical to the priority ranking in the project list. Readiness to proceed is an important factor, however, the general order of project ranking will be followed to the extent a project's sponsor is ready to proceed. The PPL lists all eligible and current projects that have been submitted for loan fund consideration. Due to the program's leveraging ability and the expected 2006 Capitalization Grant, money will be available for all projects listed on the 2006 PPL. Following adoption of this IUP, KDHE will write the sponsors for all projects and establish a deadline to submit a complete application, including financial information and environmental review comments. Failure to submit complete applications by this deadline may result in the loss of funding.

State law requires KDHE to make 20% of the total money in the Loan Fund available to public water supply systems serving less than 5000 people (The SDWA requires 15% of the Fund to be made available to systems serving less than 10,000 people.) Small systems above the funding line represent 37% of the available loan funds in the 2006 PPL.

KDHE always reserves the right to fund lower priority ranking projects over higher priority ranking projects, if in its opinion, a higher priority project's sponsor has not taken the steps necessary to

expeditiously apply for funding. If a project must be bypassed because of a delay, it will be funded when it is ready to proceed, if loan funds are available and if the project still has a favorable priority rating. The ability to bypass projects which are not ready to proceed, will give a greater probability that all available loan funds can be committed. Additionally KDHE may elevate any eligible project to the project priority list due to emergency conditions.

One of the purposes for the revolving loan fund stated in the SDWA is to provide assistance to those systems most in need, on a per household income basis. The SDWA provides the opportunity to assist economically disadvantaged communities by allowing 30% of the capitalization grant to be used for loan subsidies, including principal forgiveness. The Kansas statutes authorizing the public water supply loan fund do not provide for grants, or forgiveness of principal. However, the KDHE project priority system includes a scoring criterion based on the applicant's median household income compared to the statewide median household income. This helps assure lower income projects have access to the Loan Fund.

IV. FINANCIAL STATUS OF THE KPWSLF

The Kansas Public Water Supply Loan Fund is audited annually by a certified public accounting firm in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. The most recent audit received an unqualified opinion.

The adjacent reserve account table and bond leveraging table on the next page, show details of the reserve account deposits and bond leveraging

made from those deposits since the start of the program. Senate Bill 487 was passed by the 1998 Kansas Legislature and added an additional \$5,000,000 to the reserve account.

As bonds are paid off, the amount of money needed in the Reserve Account is also reduced. On April 1, 2005, \$11,442,600, which was in the Reserve Account, was de-allocated into the Recycled Fund because it was no longer needed for leveraged bond security. This money will be available for recycled loans or to put back into the Reserve Account if the need for leveraging out paced available Capitalization Grants.

Reserve Account			
Fiscal Year of Grant	Capitalization Grant Earmarked for Reserve Account	Amount Deposited in Reserve Account from SB 487	Amount Deposited in Reserve Account**
1997	\$11,776,871		\$11,776,871
1998	\$9,407,614	\$1,000,000	\$10,407,614
1999	\$9,860,036		\$9,860,036
2000	\$10,393,127	\$4,000,000	\$14,393,127
2001	\$9,827,552		\$9,827,552
2002	\$8,195,618		\$8,195,618
2003	\$8,812,132		\$8,812,132
2004	\$9,141,216		\$9,141,216
2005*	\$8,906,786		
2006*	\$7,851,350		
	\$94,172,302	\$5,000,000	\$82,414,166

* Grant not yet awarded

** as of June 30, 2005

Bond Leveraging

Year of Bond Issue	Bonds Leveraged from Reserve Account	State Match Bonds	Money Available to Loan Including State Match	Moody's Bond Rating	Fitch Bond Rating	Standard & Poor's Bond Rating
1997	\$42,490,000	\$2,930,000	\$43,793,586	A2	A+	
1998	\$37,615,000	\$2,075,000	\$38,866,142	A2	AA-	
2000	\$46,860,000	\$6,640,000	\$50,299,266	A2	AA	
2002	\$47,705,000	\$4,100,000	\$50,199,333	Aa3	AA	AA+
			\$1,846,927***			
			\$1,835,840***			
			\$327,900***			
2004 New	\$93,255,000	\$3,230,000	\$100,000,000	Aa1	AAA	AAA
2004 Refund	\$73,060,000	\$6,465,000		Aa1	AAA	AAA
Eliminated by Refunding	-\$75,775,000	-\$6,460,000				
Totals	\$265,210,000	\$18,980,000	\$287,168,994			

*** State Match deposit for 2002, 2003, and partial deposit for 2004 Grant

As of June 30, 2005, KDHE had 127 loan agreements or offers in place for a total of \$290,457,701.61.

The FY05 grant is expected to be awarded in July 2005. The application for the FY06 grant will be submitted to EPA when funds are available.

A total of \$16,758,136 (\$8,906,786 from the FY05 grant and \$7,851,350 allotted from the FY06 grant) should be available to deposit in the reserve fund as the Kansas draw ratio allows for incurred costs during the program year. A recent cash flow and capacity analysis shows the program should be able to support \$125,000,000 in additional bonds. As of June 30, 2005 the Fund had committed \$2,138,707.40 more in loans than it had available from bond proceeds. Because the Fund had \$75,478,414.80 in unexpended dollars, the over commitment of loan funds does not produce a cash flow problem. This over commitment amount is subtracted from the \$125,000,000 in additional bond capacity to yield \$122,861,292.20. This amount, minus cost of bond issuance, will be potentially available to loan to municipalities. The potential bond proceeds are more than enough to fund all ranked projects listed on the 2006 PPL at \$76,252,916.

The recycled loan account, which contains program revenues in excess of funds needed to make revenue bond principal and interest payments, contained \$20,603,598.89 as of June 30, 2005. Use of the recycled loan account is discussed in section VII.

KDHE will continue to write loan agreements committing funds up to the maximum commitment

level (\$125,000,000, pending award of the 2006 Cap Grant) and use existing funds to make payments. The program will schedule another borrowing to meet cash flow requirements, or if market conditions require, to secure an interest rate which assures the program's principal and interest coverage requirements are met.

More detailed financial information can be found in the KPWSLF Annual Report. The most recent report covers the program through June 30, 2004. This and future annual reports can be found on the KDHE web site <http://www.kdhe.state.ks.us/pws/loan/loanfund.htm>.

V. INTEREST RATES

In accordance with K.A.R 28-15-52, the KPWSLF interest rate will continue to be set at 80% of the previous three months' average Bond Buyers 20 Year Bond Index.

VI. SHORT AND LONG-TERM GOALS OF THE KPWSLF

The state will pursue the following short-term goals as it implements the program.

1. Commit 100% of available funding during the program year.
2. Initiate a quarterly communication with outstanding PPL municipalities to better understand individual circumstances that delay participation in the program.
3. Coordinate and seek input from other agencies, consultants, water systems, and the public, on administration and improvement of the loan program.
4. Assure Kansas receives 100% of its capitalization grant allocation, and is eligible for any re-allotments of funds unused by other states.
5. Provide loans to assist applicants in complying with drinking water standards, improving drinking water quality in the state, and improving Kansas public water supply infrastructure.
6. Assure small public water supply systems are included in the loan program by providing at least 20% of available loan funds to systems serving a population of less than 5000.
7. Assist communities' projects which qualify for Community Development Block Grants from the Kansas Department of Commerce and Housing by reserving a portion of the recycled loan account to provide loans to serve as local match.
8. Assure Kansas municipalities are aware of the KPWSLF and the potential for financial savings through participation.

The state will pursue the following long-term goals, as it implements the program.

1. Promote projects in accordance with the state water plan regionalization strategy.
2. Assist in meeting the current drinking water funding needs in the state of Kansas, and remain viable and perpetual to assist in meeting the long term funding needs.
3. Provide technical assistance to Kansas water suppliers to assure necessary projects are identified and placed on the project list.
4. Comply with state and federal laws and the state/EPA capitalization grant agreement.
5. Assist water suppliers in meeting SDWA requirements.
6. Protect public health.

VII. RECYCLED LOAN ACCOUNT

The Recycled Loan Account consists of program revenues in excess of the amounts needed to make bond principal and interest payments. As of June 30, 2005, the account contained \$20,603,598.89 of which \$1,145,170.05 has been committed to recycled loans. KDHE will reserve \$1,850,000 of the uncommitted amount to serve as local match for communities with projects competing for funding from the Kansas Department of Commerce Community Development Block Grant (CDBG) program. Project sponsors providing local match equal to the amount of requested CDBG funding are more likely to be funded than sponsors that do not provide local match. Because the funding cycle for the CDBG program does not coincide with the KPWSLF IUP program year, these projects need not be in listed on the PPL. These projects would only receive funding if they are eligible and would have ranked high enough to receive funding if on the PPL.

In order to qualify for CDBG funding, over 51% of the households benefiting from the project must be of low to moderate income. By matching state loan dollars with CDBG funding, the KPWSLF will achieve one of the objectives of the Safe Drinking Water Act, which is to assist communities most in need on a household income basis.

If interest in funding from the Recycled Loan Account exceeds the reservation of \$1,850,000 KDHE will fund the highest ranking projects, according to KPWSLF criteria. All projects and project sponsors will be required to meet all requirements of the KPWSLF to receive funding.

If needed, KDHE can commit recycled loan funds once all bond proceeds have been committed to avoid over committing those bond proceeds. Recycled Loan Account funds could also be used to make project payments if all bond proceeds were expended. This is extremely unlikely to happen.

VIII. DESCRIPTION OF NON-PROJECT ACTIVITIES TO BE FUNDED

Section 1452(g)(2) and 1452(k)(1) of the SDWA provides the state the following opportunities to reserve a portion of the capitalization grant to assist with administration of the loan fund and other program requirements:

- A. 4% for administration of the KPWSLF;
- B. 2% for technical assistance to systems serving 10,000 or fewer persons;
- C. 10% for state program management including:
 - 1) to supplement the public water supply supervision grant;
 - 2) source water protection programs;
 - 3) implementing and developing capacity development programs; and
 - 4) operator certification programs.
- D. 15% for other authorized activities including:
 - 1) loans for source water protection purposes;
 - 2) provide assistance as part of a capacity development strategy;
 - 3) establishment and implementation of well head protection programs.

The state must match any set-aside under item C above dollar for dollar. At least half of the match must be in addition to the amount spent by the state to match its public water supply supervision grant in FY '93. There are no additional match requirements for the remainder of the set-asides. Any one of the activities listed in item D (also referred to as section 1452 (k) (1) expenditures) may not exceed 10% of the capitalization grant. Any funds, which are reserved but not spent, will not be lost.

With the 2005 Capitalization grant award, Kansas has reserved 4% for administration (\$380,076), 2% for technical assistance (\$190,038) plus an additional \$25,000 from credits of previous grants (\$215,038 total). The 2005 Grant award is expected to be made in July 2005. No set aside money from the 2005 grant has been drawn to date. For the anticipated 2006 grant KDHE plans to reserve 4% for administration (estimated at \$334,100), 2% for technical assistance (estimated at \$167,050) and \$300,000 for section 1452 (k) (1) activities. A table at the end of this section shows all the set-aside credits KDHE has taken to date. The state also has the option of transferring unspent set-asides to the loan fund in future years.

A. Program Administration.

Activities funded with this set-aside include financial reviews, project review and approval, project ranking, priority list management, tracking of loan repayments, construction inspection, and updating the needs survey.

B. Small System Technical Assistance.

Funds from this set aside are used to provide technical assistance to public water suppliers serving less than 10,000 people. Work conducted under this set-aside will continue to be through a contract with the Kansas Rural Water Association. Costs for this contract have increased for the 2006 program year and will require using reserve credits to execute. Any balance will be reserved for continued technical assistance to small systems in the future. Assistance will be provided in the areas of compliance, operation and maintenance, and management, with a focus on systems with drinking water violations to return to compliance. Systems will benefit in resolving MCL and treatment technique violations, responding to water quality complaints and low-pressure problems, and preparing water conservation plans. Systems operating surface water treatment plants will receive training in operational tests, chemical dosages, filter operations, and record keeping.

C. State Program Management.

KDHE does not plan to reserve any money from the 2006 grant for this set aside. Current funds in this account are enough to continue support of activities eligible for funding through the EPA Public Water Supply Supervision Grant for the program year. Specific activities include assisting communities with source water protection plans as well as salary and costs for the Capacity Development Program Coordinator. Up to 10% of the capitalization grant can be used for these activities, but available state match can limit the amount reserved. All funds under this set-aside will be spent in accordance with an EPA approved work plan. More details of these Set-Asides can be found in Appendix B.

D. Other Authorized Activities

Activities funded under this set aside are mainly for capacity development assistance and include development of a water system board member training manual, water rate seminars, system rate reviews, matching funds for regional water system feasibility studies, and asset management training.

SUMMARY OF CAPITALIZATION GRANT USES

	FY 2005	FY 2006*
Reserve Account	\$8,906,786	\$7,551,350
Administration	\$380,076	\$334,100
Technical Assistance	\$215,038	\$167,050
State Program Management		
Other Authorized Activities		\$300,000
Total	\$9,501,900	\$8,352,500

* Grant not yet allotted, values are estimated

HISTORY OF CREDITS TOWARD FUTURE GRANTS

Year of Capitalization Grant	Technical Assistance Set Aside	State Program Management Set Aside
1997		\$422,071
1998		\$485,000
1999		\$485,000
2000	\$145,717	\$485,000
2003	\$183,584	\$485,000
2004	\$190,442	
2005	-\$25,000	
2006		
Totals	\$494,743	\$2,362,071

VIII. PUBLIC REVIEW

A public hearing on the FY2005 Intended Use Plan and Priority Ranking System was held on June 30, 2005. Copies of the draft FY2006 IUP were mailed to all public water suppliers listed on the Project Priority list (Appendix A), the League of Kansas Municipalities, the Kansas Rural Water Association, the Kansas Rural Water Finance Authority, and to consulting engineers in the state of Kansas. A copy of the meeting notice was published in the Kansas Register. The hearing attendance list and a summary of the hearing are included in Appendix D.

Appendix A

Project Priority List

2006 Project Priority List						
July 1, 2005						
Municipality	Project	Priority	Project Description	Loan	Accumulative	
Name	#	Rating		Request \$	Amount \$	
* Lane	2407	35	New Wells or Treatment	\$380,000	\$380,000	
* Osborne Co RWD #1A	2414	35	New Water Source to Reduce Nitrates	\$75,000	\$455,000	
* Arlington	2385	33	New Well and Existing Well Rehab	\$250,000	\$705,000	
* Valley Falls	2391	31	Treatment Plant Improvements and Waterline Upgrade	\$1,680,400	\$2,385,400	
* Argonia	2344	28	Water Line Replacement	\$900,000	\$3,285,400	
* Frontenac	2434	26	Well & Treatment plant Rehabilitation	\$1,882,000	\$5,167,400	
* Norton	2260	26	Water Treatment Plant Upgrade and Rehabilitation	\$2,882,000	\$8,049,400	
* White City	2438	26	Nitrate Blending and Water Main Replacement	\$1,408,054	\$9,457,454	
* Conway Springs	2347	25	Nitrate Treatment and Water Line	\$1,130,000	\$10,587,454	
Hutchinson	2423	21	RO Treatment Plant and Transmission Mains	\$15,736,000	\$26,323,454	
* Medicine Lodge	2427	21	Water Transmisson Main replacement	\$1,020,025	\$27,343,479	
* Harvey Co. RWD #1	2426	20	New Wells and Distribution Expansion to Unserved Area	\$3,513,050	\$30,856,529	
* Valley Center	2406	20	Extndnd Service, Additional Source, Looping	\$1,372,910	\$32,229,439	
* Barnes	2432	18	Replace Water Distribution System	\$570,000	\$32,799,439	
* Greensburg	2431	18	New Water Supply Well	\$500,000	\$33,299,439	
* Marysville	2435	18	New Water Well and Tower	\$1,266,817	\$34,566,256	
Emporia	2276	16	Water Treatment Plant Upgrade	\$3,500,000	\$38,066,256	
* Little River	2330	16	Phase II Distribution System Improvements	\$1,381,112	\$39,447,368	
* Scammon	2421	16	New Well	\$190,000	\$39,637,368	
Baldwin	2430	15	Water Transmisson Main replacement	\$2,500,000	\$42,137,368	
* Jefferson Co RWD #9	2441	15	New Well and Treatment Facility	\$600,000	\$42,737,368	
* Crawford Co RWD #1	2437	13	Water Main Replacement	\$720,000	\$43,457,368	
* Dwight	2443	13	Water Main Replacement	\$640,750	\$44,098,118	
* Ellis	2374	13	New Well Construction	\$300,000	\$44,398,118	
* Hamiltion Co RWD #1	2365	13	Standpipe Rehab and Valve Replacement	\$28,000	\$44,426,118	
* Hill City	2442	13	Water Main Replacement	\$2,400,000	\$46,826,118	
* Holton	2436	13	Water Main Replacement	\$440,000	\$47,266,118	
* Norcatur	2429	13	Water Tower Rehabilitation	\$35,000	\$47,301,118	
* Bucklin	2440	11	Well and Tower Rehab and Waterline Replacement	\$100,000	\$47,401,118	
* Council Grove	2246	11	New Raw Water Supply line from Federal Reservoir	\$100,000	\$47,501,118	
* Lorraine	2439	11	Storage Tank Rehabilitation and Waterline Looping	\$179,800	\$47,680,918	
* Nickerson	2428	11	Connect to new well	\$350,000	\$48,030,918	
* St. Marys	2375	11	Elevated Water Tower	\$750,000	\$48,780,918	
Topeka	2417	11	Distribution Main 21st form Oakely to Gage & South to Shunga	\$3,475,200	\$52,256,118	
Topeka	2418	11	Distribution Main 12th St. from Western to Monroe	\$1,543,000	\$53,799,118	
Topeka	2419	11	Distribution Main 41st St. and Royal Lan to 33rd St.	\$1,132,200	\$54,931,318	
Topeka	2420	11	Distribution Main Lower Silver Lake Rd from Furman to Vail	\$2,235,700	\$57,167,018	
* Cherokee Co RWD #3	2444	10	Treatment Plant and Distribution Improvements	\$1,500,000	\$58,667,018	
* Johnson County RWD # 7	2283	10	Storage Tank and construction of Waterline	\$1,100,000	\$59,767,018	
Kansas City BPU	2411	10	Argentine 2 MG Elevated Tank	\$3,400,000	\$63,167,018	
Kansas City BPU	2412	10	Argentine 7 MG Ground Storage	\$6,800,000	\$69,967,018	
* Lecompton	2381	10	New Well and Rehab Treatment Plant	\$994,500	\$70,961,518	
* Osage CO RWD # 7	2125	10	Replace 14 miles of lines	\$450,000	\$71,411,518	
* Rantoul	2410	10	Water Line Replacement	\$425,000	\$71,836,518	
* Rook County RWD #1	2433	10	New Water Supply Well/Interconnection	\$232,320	\$72,068,838	
* Tonganoxie	2401	10	Interconnect with BPU	\$2,600,000	\$74,668,838	
* Douglass	2405	8	Well for Backup supply	\$65,678	\$74,734,516	
* Hanover	2395	8	Elevated Water Tower	\$400,000	\$75,134,516	
* Pleasanton	2240	8	Water Transmission Main & Looping	\$288,400	\$75,422,916	
* Sabetha	2152	6	Storage tank and lines	\$730,000	\$76,152,916	
* Mont. Co RWD #11	2389	5	Waterline Extension and Looping	\$100,000	\$76,252,916	
* Douglas Co RWD #6 ¹	2403		Water Tower and Water Line Replacement	\$1,000,000	\$77,252,916	
* Girard ¹	2352		Water Tower Construction	\$900,000	\$78,152,916	
Kansas City BPU ¹	2380		Nearman Filter Expansion	\$8,052,000	\$86,204,916	
Louisburg ¹	2354		New Water Treatment Plant/Regional WSD	\$14,800,000	\$101,004,916	
* Communities that serve less than 5000						
¹ Project will not be ready to proceed during this program year and therefore was not given a rank						

Appendix B

Program Year 2005

Set-Aside Work Plan & Sources and Uses Tables

2% Technical Assistance

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$215,000	2.5 Contractor	Provide a min. of 420 TA contacts to small Kansas Systems	On Going	Kansas Rural Water Association	Quarterly Reports from Contractor

4% Administration

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$400,000	5.0	Comply with State and Federal Requirements for Loan Program implementation, and Commit loan dollars on a timely basis. Financial review, Construction inspection, Project review	On Going	None	Annual Report and Annual Evaluation by EPA

10% State Program Management (1452(g))

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$50,000	Contractor	Install SDWIS-State data management system and migrate data from existing platforms	7/1/05 thru 6/30/06	Global Environmental Consulting	Monthly Meetings with Contractor
\$77,000	1.0	Salary and Costs for Capacity Development Program Coordinator	On Going		TFM capacity measured at 3 year intervals by questionnaire

15% Other Authorized Activities (1452(k))

<i>Funding Amt</i>	<i>FTE Projection</i>	<i>Goals, Objectives, Outputs and Deliverables</i>	<i>Anticipated Start and End Dates</i>	<i>Other Agency & Responsibilities</i>	<i>Evaluation Process</i>
\$42,000	Contractor	Printing, and distribution of water system board member training manual	7/1/05 thru 6/30/06	KRWA	Quarterly meetings with Contractor, Manual will be reviewed as developed
\$150,000	Contractor	Adequate water rate seminars, individual system rate reviews, matching funds for regional water system feasibility studies, Asset management training	On Going	Contractor to be selected	Number of Seminars, systems evaluated and number of studies

Sources and Uses

For Program year 2006

Sources:

Potential Net Bond Proceeds (based on financial analysis)	\$125,000,000
Undisbursed Capitalization Grants	\$2,074,690
Pending 2005 Capitalization Grant	\$9,501,900
Pending 2006 Capitalization Grant	\$8,352,500
Recycled Loan Account	\$20,603,599
Total	\$165,532,689

Uses:

Committed Loan Funds	\$3,283,878
Uncommitted Loan Funds (based on maximum Leveraging)	\$122,861,292
Recycled Loan Account Uncommitted	\$19,458,429
Reserve Fund	\$16,758,136
Program Set Asides	\$3,170,954
Total	\$165,532,689

Total amount available for loans including recycled money = \$143,464,891

Appendix C

Project Priority System

State of Kansas
Kansas Department of Health and Environment
Division of Environment
Bureau of Water

Federal Fiscal Year 2006
Kansas Public Water Supply Loan Fund
Project Priority System

July 1, 2005

Kansas Department of Health and Environment
Kansas Public Water Supply Loan Fund
Project Priority System
FY 2006

I INTRODUCTION

The SDWA and Kansas Statutes establishing the public water supply loan fund require KDHE to develop a project priority system; including ranking criteria to determine which projects should receive loans. In preparing a priority list, the Secretary is required to exclude projects from applicants who have not adopted and implemented water conservation plans consistent with Kansas Water Office guidelines. KDHE is also required to ensure that at least 20% of loan fund monies are made available to communities of less than 5000 people.

II PRIORITY RATING CRITERIA

The priority rating criteria are used to numerically rank projects for potential funding assistance from the Kansas Public Water Supply Loan Fund. State law and the SDWA both provide guidance on factors to be considered when ranking projects.

The SDWA requires priority be given to projects that address the most serious risks to human health, that are necessary to assure compliance with requirements of the SDWA (national primary drinking water regulations) and to assist public water supplies most in need, on a per household basis according to state affordability criteria.

Kansas statutes require KDHE to give consideration to projects consistent with the public water supply regionalization strategies developed in the Kansas Water Plan. Since no regionalization strategies have been proposed, the rating criteria cannot address this issue. However, the rating criteria do award points for system consolidation.

The Bureau of Water will consider the following factors in determining the numerical scores of each project:

- 1) Water quality issues, including compliance with maximum contaminant levels, treatment techniques, aesthetic factors, and unregulated contaminants.
- 2) Consolidation of systems;
- 3) Improvements to reliability;
- 4) State median and applicant household income levels;
- 5) Special categories; and
- 6) KDHE adjustment

III IDENTIFICATION OF POTENTIAL PROJECTS

Potential projects for inclusion on the project priority list may be identified by public water supply officials, by KDHE, through participation in national needs surveys, through routine inspection and special studies; or by federal, state, or local agencies.

Projects may also be identified by the Secretary of KDHE in accordance with section IV.4 as necessary for correction of an emergency condition.

IV ADMINISTRATIVE PROCEDURES

KDHE will use the following procedures in administering the priority system.

1. The Bureau of Water will prepare annually, a tentative priority list of all projects to be included in the Intended Use Plan for possible funding during the following federal fiscal year. The tentative Project Priority List (PPL) will include the rank for each project. This list will contain projects equal to approximately 150% of available loan funds, to assure money is obligated.
2. The Bureau of Water will give public notice of the PPL and hold a minimum of one public hearing to receive comments. The Bureau of Water will provide information upon request, on the detailed calculation of the priority rank of a project.
3. The highest ranking projects equal to the money available will be given the first opportunity to apply for funding.
4. The Secretary of KDHE may amend the PPL and the Intended Use Plan to include a project requested by the Bureau of Water as needed to protect public health, or to meet emergency needs.
5. Projects will be elevated to the PPL for funding based on priority ranking and readiness to proceed.
6. A project must be listed in the PPL prepared by KDHE and approved by EPA, to receive a loan; unless funded under the emergency provision of VI.4 or the bypass provision of IV.
7. If available monies are not used by the projects identified in the PPL, those funds will be made available to the highest ranked projects ready to proceed. This ability to bypass projects is necessary to assure available funds are obligated on a timely basis.
8. Kansas legislation requires 20% of available loan funds to be made available to public water suppliers that serve less than 5000 people. If available, projects serving less than 5000 people, totaling at least 30% of available loan funds, will be included in the PPL to assure sufficient projects to meet the 20% requirement. Projects from public water suppliers serving less than 5000 population will be indicated on the Project Priority List and may be

included in the PPL regardless of priority ranking, if necessary to meet the 20% requirement

V **PROJECT RATING PROCEDURE**

Projects identified in accordance with Section IV, other than projects identified in accordance with section IV.4, will be ranked by the rating system set forth below. The highest point total denotes the highest priority for funding. A separate ranking will be prepared for each project. Projects will receive points, up to the stated maximum, for each applicable category.

1. Water quality issues:

Acute MCL or treatment technique violation corrected	Up to 35 points
Chronic MCL or treatment technique violation corrected	Up to 30 points
Impending MCL violation corrected	Up to 20 points
Unregulated contaminant correction	Up to 15 points
Compliance with existing administrative order	Up to 10 points
Secondary MCL correction	Up to 10 points
2. Consolidation of two or more water systems 10 points each
3. Reliability improvement:

Second source for single source systems	Up to 15 points
Low water pressure (less than 20 psi)	Up to 15 points
Water restrictions in last 3 years	Up to 10 points
Plant rehabilitation	Up to 10 points
Storage (less than 24 hours)	Up to 10 points
Excessive water loss	Up to 10 points
Distribution system looping	Up to 10 points
4. Beneficiaries income:

LT 80% of State Median Household Income (SMHI)	3 points
GT 80% of SMHI but LT SMHI	1 point
5. Special categories:

Upgrade to meet future regulations	Up to 15 points
Plant expansion	Up to 15 points
Water treatment waste discharges	Up to 15 points
Extend distribution system to unserved area	Up to 15 points
6. KDHE point adjustment Up to 35 points

BACKGROUND

The following background is provided to explain the factors KDHE will consider when awarding points under the project rating criteria. For some criteria, water quality issues for example, KDHE will award points up to a maximum value. For other rating criteria, consolidation for example, the points to be awarded are set in the criterion.

1. Water Quality Issues

This group considers a project's ability to correct violations of drinking water standards. Acute MCL and treatment technique violations are those violations which may have an immediate public health impact, or which require public notices to be given under the acute MCL violation provision of the public notification regulations. Only nitrate MCL violations and acute coliform MCL violations are covered by this provision at the present time. Violations of surface water treatment requirements will be included as an acute violation. Chronic MCL violations are those MCL violations which have health impacts over a longer period of time. Projects to provide treatment for an impending violation will also be considered in this category. Generally, an impending violation would be scored if an identifiable plume of contamination was threatening a water source. Secondary MCL violations are violations which cause aesthetic impacts. Existence of an administrative order to correct an MCL violation will also be considered in this category. KDHE will also consider projects providing treatment for unregulated contaminants which may have health impacts under this category. Extensions of distribution systems to areas with documented water quality problems may also receive points under this section.

2. Consolidation

Kansas law requires the department to encourage regional cooperative projects. Up to 10 points will be added for each system to be served by a project. (Two systems, maximum of 20 points)

3. Reliability Issues

Projects which add supplemental sources of water to systems with single sources are important to assure the reliability of a system and will receive points under this category. KDHE will consider the level of water restriction imposed when awarding points under this category. Restrictions on domestic consumption are viewed as more significant than outdoor restrictions. KDHE will also consider efforts made by an applicant to locate and reduce water losses and promote water conservation. Projects which rehabilitate treatment plants, add storage to meet peak needs, and loop dead end lines are also considered to improve reliability. KDHE will give greater weight to projects which correct low pressure problems, when the problems are documented by field measurements.

4. **Beneficiaries Income**

This section allows additional points to be awarded based on the applicant's median household income and the state median household income. The 2000 Census data on income levels, as found on the U.S. Census Bureau web site, will be used for this purpose.

5. **Special Categories**

Projects can receive additional ranking points if they meet any of these special categories.

6. **KDHE point adjustment**

This category allows KDHE to award a maximum of 35 discretionary points when circumstances exist which are not adequately accommodated by the categories described above.

Appendix D

Public Participation Summary

Harris Orkand Information Services Corporation,
Falls Church, VA.
Heatron, Inc., Leavenworth, KS.
Home Dialysis of America, Inc., Lexington, MA.
Homebridge Mortgage Bankers Corp., Syosset, NY.
IDRC Franchising Corp., Mountain View, CA.
Industrial Flooring Services, Inc., Houston, TX.
International Utility Structures (Kansas), Inc.,
Calgary, Alberta.
K.C. Rooter, Inc., Raymore, MO.
KDA Financial, Inc., Marietta, GA.
Krupp Polysius Corp., Atlanta, GA.
L & A Incorporated, Rye, NY.
Laser Technology, Inc., Centennial, CO.
Maeburg, LLC, Bloomington, IN.
Marcum Management Company, Birmingham, AL.
McKesson Health Solutions, LLC, San Francisco, CA.
Medcath Incorporated, Charlotte, NC.
Mittek Systems, Inc., Poway, CA.
National Customer Engineering, Inc., El Cajon, CA.
Neighborcare Pharmacy Services, Inc., Kennett Square, PA.
Oakland Construction Company, Inc., Salt Lake City, UT.
P.E.T. Net Pharmaceuticals, Inc., Knox, TN.
PCS & Associates, Inc., Houghton, IA.
Perceptive Vision, Inc., Shawnee, KS.
Petroleum Equipment Incorporated of Kansas City,
Kansas City, MO.
Post, Buckley, Schuh & Jernigan, Inc., Miami, FL.
Property Management Corp., A Florida Corporation,
Wichita, KS.
Qualico Steel Company, Inc., Webb, AL.
Quarry Integrated Communications Inc., Waterloo, Ontario.
Raymond, James & Associates, Inc., St. Petersburg, FL.
Remedy Intelligent Staffing, Inc., Aliso Viejo, CA.
Sakura Finetek U.S.A., Inc., Torrance, CA.
Sapp Bros. Truck Stops, Inc., Omaha, NE.
Scottrade, Inc., St. Louis, MO.
Six "E" Trading Company, Wewoka, OK.
Smith & Smith Aircraft International, Ltd., Metairie, LA.
Sonitrol Management Corporation, Princeton, NJ.
Suburban Industrial Packaging, Inc., St. Louis, MO.
Superior Light & Sign Maintenance Co., Inc., Omaha, NE.
Sweetheart Cup Company Inc., Owings Mills, MD.
Swisshelm Group, Inc., Springfield, MO.
Teamstaff Rx, Inc., Somerset, NJ.
The Drain Pro, Inc., Raymore, MO.
The Osborne Coinage Company, Cincinnati, OH.
The Par-fe' Wax Corporation, Overland Park, KS.
The Plumbing Pro, Inc., Raymore, MO.
The Wesbell Group of Companies, Inc., Wilmington, DE.
Titan Employment Services Inc., Hutchinson, KS.
Tri State Baking Company, L.L.C., Amarillo, TX.
Tri-State Breeders Cooperative, Baraboo, WI.
Varian Medical Systems, Inc., Palo Alto, CA.
Video Service of America, Inc., Lincoln, NE.
Vitamin World, Inc., Bohemia, NY.
Westra Construction Inc., Waupun, WI.
Wilsey Foods, Inc., Brea, CA.

Ron Thornburgh
Secretary of State

Doc. No. 031998

State of Kansas

University of Kansas

Notice to Bidders

Sealed bids for the item listed below will be received by the University of Kansas Purchasing Office, Lawrence, until 2 p.m. on the date indicated and then will be publicly opened. Interested bidders may call (785) 864-3416 or fax (785) 864-3454 for additional information:

Friday, June 10, 2005

IFB 85024

HVAC Overhaul Contract

Barry Swanson
Director, Business Services
and Purchasing

Doc. No. 032009

State of Kansas

Kansas State University-Salina

Notice to Bidders

Kansas State University-Salina is offering for sale an Allison 250 C20R2 Turbohaft Aircraft Engine. This engine was obtained as an overhauled/zero-timed aircraft engine (see serviceable tag attached to the engine). Since that time the engine has remained in a climate controlled hangar in the original shipping container.

For more information, contact Andrew Smith at (785) 826-2679. For engine viewing and bidding process information, go to the K-State Web site at <http://www.sal.ksu.edu/campusofficer/business/bid-items/index.htm/>.

Jackie D. Robison
Procurement Officer

Doc. No. 031996

State of Kansas

Department of Health and Environment

Notice of Hearing on the Kansas Public Water Supply Loan Fund

A public hearing will be conducted at 3 p.m. Thursday, June 30, in the Azure Conference Room of the Curtis State Office Building, 1000 S.W. Jackson, fourth floor, Topeka, to discuss the Kansas Public Water Supply Loan Fund Intended Use Plan (IUP) for the 2006 program year. Copies of the IUP can be obtained by contacting Linda White at (785) 296-5514, fax (785) 296-5509.

Any individual with a disability may request accommodation to participate in the public hearing. Requests for accommodation should be made at least five working days before the hearing by contacting Linda White.

Comments may be presented at the hearing or in writing prior to the hearing. Written comments should be addressed to Linda White, Kansas Department of Health and Environment, Bureau of Water, Suite 420, Curtis State Office Building, 1000 S.W. Jackson, Topeka, 66612.

Roderick L. Bremby
Secretary of Health
and Environment

Doc. No. 032011

FY2006 IUP Summary of Public Hearing

There was only one attendee from the public, Donald M. Fuston from Douglas County Rural Water District No. 6. He wanted information on how the application and loan processing process worked, and did not have any questions pertaining to what was contained in the Intended Use Plan.

FY2006 IUP Public Hearing
Attendance List

June 30, 2005

Name

From

William Carr

KDHE

Dave Waldo

KDHE

Dan Clair

KDHE

Donald M. Fuston

Douglas Co RWD #6

Appendix E

List of Ineligible Projects and Activities

List of Ineligible Projects and Activities

In accordance with K.A.R. 28-15-56, the following projects and activities are ineligible for participation in the Kansas Public Water Supply Loan Fund.

- Dams, or rehabilitation of dams;
- Water rights, except if the water rights are owned by a system that is being purchased through consolidation as part of a capacity development strategy;
- Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process and are located on the property where the treatment facility is located;
- Laboratory fees for monitoring;
- Operation and maintenance expenses;
- Projects needed mainly for fire protection;
- Projects for systems that lack adequate technical, managerial and financial capability, unless assistance will ensure compliance;
- Projects for systems in significant non-compliance, unless funding will ensure compliance;
- Projects primarily intended to serve future growth.

Source: 40CFR Part 35.3500, 35.3520 (e), and (f)